

Message Text

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PAGE 01 STATE 203429

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ORIGIN OPIC-06

INFO OCT-01 AF-08 ISO-00 EB-07 AID-05 COME-00 /027 R

DRAFTED BY OPIC/F: BMHENDERSON

APPROVED BY EB/IFD/ OIA:RJSMITH

EB/IFD/OIA:DSTEBBING

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P 162139Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY YAOUNDE PRIORITY

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FROM OPIC

E.O. 11652:N/A

TAGS:EFIN

SUBJECT:MBANDJOCK RICE PROJECT

RE": YAOUNDE 2831

1. ON AUGUST 13, OPIC SENT THE FOLLOWING LETTER TO TEELE OF CHEMONICS. BEGIN QUOTE. DEAR MR. TEELE. WE HAVE REVIEWED YOUR REQUEST FOR FINANCING, BASED ON CHEMONICS' FEASIBILITY STUDY, TO IMPLEMENT AN UPLAND RICE PROJECT IN THE MBANDJOCK AREA OF CAMEROON.

IN OUR REVIEW, WE CONSIDERED EXPECTED RICE YIELD PER HECTARE TO BE AN EXTREMELY CRITICAL FACTOR IN THE OVERALL FEASIBILITY OF THE VENTURE. THE STUDY INDICATES THAT YIELD DATA FOR THE MBANDJOCK AREA ARE MEAGER AND INCONCLUSIVE AND THAT THERE IS NO AGREEMENT AMONG RICE EXPERTS FAMILIAR WITH THE PROJECT AREA THAT THE ASSUMED "BASE" YIELD OF THREE TONS PER HECTARE IS ACHIEVABLE. OPIC HAS ASKED OTHERS FAMILIAR WITH UPLAND RICE PRODUCTION TO COMMENT ON THIS ASPECT OF THE STUDY AND FOUND THEY COULD OFFER LITTLE SUPPORT FOR THE LIMITED OFFICIAL USE

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PAGE 02 STATE 203429

BASE YIELD ASSUMPTION. THEREFORE, WE CONCLUDE THAT WITHOUT

A PILOT PROJECT TO PROVE THE YIELD ASSUMPTION, THE FEASIBILITY OF THE PROJECT REMAINS INDETERMINATE AND IMPLEMENTATION AT THIS TIME WOULD BE PREMATURE.

MOREOVER, EVEN AT THE BASE RICE YIELD, THE PROJECT APPEARS UNATTRACTIVE TO OPIC AS A LONG-TERM LENDER. AN ANALYSIS OF THE FINANCIAL PROJECTIONS INDICATES THAT IN TERMS OF ITS NET PROFITABILITY, CASH FLOW COVERAGE OF LONG-TERM DEBT, AND RETURN ON INVESTMENT THE PROJECT IS MARGINAL. ADDITIONALLY, THE PROJECTIONS APPEAR EXTREMELY SENSITIVE TO ANY ADVERSE CHANGES IN THE FINANCIAL ASSUMPTIONS, SUCH AS YIELD, PRICE OF RICE, COSTS, ETC.

THEREFORE, WE MUST DECLINE TO PARTICIPATE IN THE FINANCING OF THE PROPOSED PROJECT AT THIS TIME. IN VIEW OF OUR PREVIOUS EFFORTS ON BEHALF OF THE PROJECT, WE PARTICULARLY REGRET HAVING TO TAKE THIS DECISION. VERY TRULY YOURS, ANTHONY J. HOPE, VICE PRESIDENT, FINANCE DEPARTMENT. END QUOTE.

2. COPIES HAVE BEEN POUCHED TO AMBASSADOR AND ECONOFF. OPIC SUGGESTS ECONOFF SHOW COPY OF LETTER TO TCHETGEN.

3. OPIC HAS GREATLY APPRECIATED EMBASSY'S CONTINUOUS AND TIMELY SUPPORT THROUGHOUT THE PAST YEAR THAT OPIC WAS INVOLVED IN PROMOTING RICE PROJECT. ANALYSIS AND DETAILED REPORTING IN REFTEL VERY HELPFUL. OPIC IS VERY EAGER TO PARTICIPATE FINANCIALLY IN A PROJECT IN CAMEROON. FINANCIAL VIABILITY AND PARTICIPATION OF U.S. FIRM IN EQUITY REMAIN KEY CRITERIA. OPIC HAD HOPED MAIZE PROJECT BEING

STUDIED BY A AND B FOR SNI WOULD FIT THESE CRITERIA, HOWEVER, RECENT TELEPHONE DISCUSSION WITH A AND B EXECUTIVE INDICATED BRITISH FIRM DALGETY WOULD PROBABLY BE PRIME CONTRACTOR AS WELL AS FOREIGN INVESTOR IN THE PROJECT. A AND B WOULD SUBCONTRACT TO DALGETY AND NOT HOLD EQUITY. THIS EXTREMELY DISAPPOINTING TO OPIC BUT IT IS POSSIBLE THAT THIS WILL NOT BE FINAL OUTCOME. DECONTROL FOLLOWING 8/16/77. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 16 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE203429
Document Source: CORE
Document Unique ID: 00
Drafter: BMHENDERSON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760314-0948
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760849/aaaabqlh.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUL 2004 by ElyME>; APPROVED <04 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MBANDJOCK RICE PROJECT RE": YAOUNDE 2831
TAGS: EFIN, CM, OPIC
To: YAOUNDE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006